May 15, 1992

Richard C. Hartgrove
General Attorney

Mr. William A. Blase, Jr.
Director-Federal Regulatory
Southwestern Bell Corporation
1667 K Street, N.W., Suite 1000
Washington, D.C. 20006

Dear Bill:

Re: Direct Case of Southwestern Bell Telephone Company,
      CC Docket No. 92-91

Enclosed please find an original and seven (7) copies of the above-referenced pleading to be filed with the Secretary of the Commission on Monday, May 18, 1992.

Additional copies of the pleading are attached to be used as courtesy copies and one is included for your files.

Please call to confirm that the pleading has been filed. Thank you for your assistance.

Very truly yours,

for Richard C. Hartgrove

1010 Pine Street
St. Louis, MO 63101

Pho: ⊣ 235-2506

Enclosure

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of   )
)
)
Open Network Architecture Tariffs   )
of Bell Operating Companies   )   CC Docket No. 92-91
)

TO THE COMMISSION

DIRECT CASE OF
SOUTHWESTERN BELL TELEPHONE COMPANY

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May 18, 1992

DIRECT CASE OF
SOUTHWESTERN BELL TELEPHONE COMPANY

CC Docket No. 92-91

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SUMMARY[*]

This Direct Case responds fully to all questions posed by the Bureau to SWBT in the <u>Designation Order</u>. The Direct Case shows that SWBT properly calculated the rates for its BSAs and BSEs and that its ASR requirement is reasonable.

SWBT explains herein that use of the marginal cost version of SCIS produces direct incremental costs appropriate for a long run incremental cost study. These costs can be appropriately used as a price floor. The average investment version of SCIS produces allocated investment which is not economically meaningful in developing the long run cost of a service.

Other factors used by SWBT in its ratemaking are reasonable. SWBT correctly gathered and input the data for the "model offices" used by SCIS to analyze the BSEs. SWBT is justified in using a cost of money other than 11.25%. While the <u>Designation Order</u> incorrectly assumed that SWBT used non-uniform overhead loadings for some of its BSEs, SWBT explains herein that it would be reasonable to use such non-uniform factors. SWBT also correctly had differences between its BSE rates and unit costs at least in part because of the requirement to provide nonpremium BSE rates.

SWBT also fully explains herein its ratemaking methodology for its packet switching BSEs. This methodology was justifiably different from that used by other switched access BSEs

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[*]All abbreviations used herein are referenced within the text.

due to the competitive nature of the packet switching market.

Finally, SWBT details herein the reasons for its ASR requirement in the transition process. No member of the OBF complained of SWBT's ASR plans when they were discussed in that forum.

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In the Matter of   )
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DIRECT CASE OF
SOUTHWESTERN BELL TELEPHONE COMPANY

Southwestern Bell Telephone Company (SWBT), by its

attorneys, hereby files its Direct Case in response to the Order

Designating Issues For Investigation in the above-styled docket.[1]

This Direct Case answers the questions directed to SWBT by the

Common Carrier Bureau (Bureau) in the Designation Order.

I.   SWBT'S RESPONSES TO THE FOLLOWING QUESTIONS SHOW THAT SWBT'S
     BSE AND BSA RATES ARE REASONABLE.

     A.   Is The Development Of Unit Investment For BSEs On The
          Basis Of The (Short Run) Marginal Investment Option Of
          SCIS And SCM A Reasonable Method That Is Consistent With
          The Commission's ONA Requirements And Policies?

     The question incorrectly assumes that the marginal cost

version of Switching Cost Information System (SCIS) produces short

run costs. The marginal investment version of SCIS produces direct

incremental costs appropriate for a long run incremental cost

study. The average investment version of SCIS produces allocated

investment which is not economically meaningful in developing long

run economic cost of a service.

     The marginal cost version of SCIS produces the direct

economic investment associated with the service under study. It

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     [1]Open Network Architecture Tariffs of Bell Operating
Companies, CC Docket No. 92-91, Order Designating Issues For
Investigation (DA 92-43) (released April 16, 1992) (Designation
Order).

does this by identifying the investment directly used by a given service.[2] It would be inappropriate to use the average investment version of SCIS to produce economic cost results for a service because the average version of SCIS includes allocated shared investment which is not properly assigned to any given service. Thus the proper long run incremental costs associated with a service cannot be identified except by using the marginal version of SCIS.

In the telecommunications industry, most cost studies are described as long-run since they attempt to estimate all of the costs caused by the relevant decision, even if the costs occur at a distant time in the future. Within the SCIS models, the demand for the service is considered over the economic life of the switch. In calculating the long run cost of a service, the models allow for the situation where the facility in question is expected to "exhaust", that is, where the facility needs to be added to or augmented. If the facility is expected to exhaust, the models accommodate a business decision to upgrade the facility since they include the full capital costs of the portion of capacity that is utilized by the service. This situation is relevant for most studies.

The costs produced from SCIS results are appropriate economic costs for use as a price floor. These costs are those directly caused by the provision of a given service. They may not be appropriate for setting prices through the application of an

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[2]This investment is an appropriate basis for developing cost because it identifies investment directly caused by the service.

overhead factor since such a procedure would not allow the company to realize contribution toward shared costs.[3]

B. Have Carriers Selected Model Offices That Are Representative Of Offices That Will Be Used To Provide BSEs?

SWBT's "model offices" are representative because SWBT annually polls all its offices to update the SCIS central office data. The office updates include information on the number of lines and trunks in each office, the originating plus terminating calls, per line, originating plus terminating calls per trunk, and other data. This information is entered into the model, replacing the previous year's data. After the new information is validated, it is released for input to the SCIS feature runs. The SCIS user will select the appropriate model office study for the state and type of technology needed to develop a feature investment. This investment is used to develop the feature cost.

SWBT's central office assumptions regarding switch replacement schedule and capacity at replacement are periodically reevaluated in view of the changing demands being placed on them. Switch replacement before central processor exhaust may occur either because of anticipated demand or because of technological obsolescence.

The decision to replace a switch before its processor exhausts is influenced by several factors. Some of those factors

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[3]Appendix A attached hereto contains the details of the alternative BSE rates that reflect use of the average basis assumption within the SCIS model.

are: avoidance of service degradation (assuring that the real time demand is never too close to capacity), major network upgrades, and new services or features not supported by the current switch technology. SWBT used the most appropriate assumptions and representative offices for the BSEs studied.

C.   Is Use Of A Cost Of Money That Exceeds 11.25 Percent Reasonable?

The use of the economic cost of money, which may be more or less than 11.25%, is reasonable in order to correctly identify the economic cost of the service. Identification of a prescribed rate of return is a function of revenue requirement determination, but has nothing to do with establishing the economic costs for pricing. Economic costs for pricing ought to be based on the actual cost of money a company expects to incur at any given point in time.

Interest rates on both debt and equity vary over time. Thus, while a prescribed rate may establish revenue requirements for a given period of time, only very rarely would the true economic cost to the company of procuring capital be likely to match that revenue requirement. Incremental cost studies are designed to identify the true economic cost to the company of providing service and therefore ought to use the forward looking economic cost of capital, which ought not to be confused with a prescribed return for revenue requirement purposes.

There are two time-related expenses properly included in a cost study. One is depreciation, or the loss in the market value

of physical assets (facilities) used to provide a service. The second is the cost of the money, reflecting the foregone interest that could have been earned on money that is tied up in physical assets. In an incremental cost study each of these expenses is necessarily prospective.

Because interest rates (both rates on debt and equity) vary over time, the rate of return previously established by the Commission does not accurately represent the current cost of money to SWBT. This rate of return is not even a realistic cap on the cost of money, and is certainly not a forward looking view of the cost of money. The cost of money is not determined by a regulatorily determined revenue requirement, but rather by the general economy. Even the Federal Reserve only has limited ability to influence interest rates.

D.   Should 1ESS And/Or 1AESS Switch Costs Be Included In The Development of BSE Rates?

This question was not specifically directed to SWBT. SWBT contends, however, that the Commission should not require that any given technology be either excluded or included in the determination of the cost of a service.

Incremental costs are designed to develop the forward looking economic costs of providing a service. SWBT does not plan to deploy 1ESS and 1AESS switches now or in the future, so they are generally not included in SWBT's forward-looking cost studies. However, there may be cases when the inclusion of an embedded technology would be appropriate. There can be incremental costs

associated with embedded technologies based on forward looking demand, assuming that the embedded technology remains part of the technology mix.

E.   Have Carriers Adequately Justified Their Use Of Nonuniform Overhead Loadings In Pricing BSEs?

As demonstrated in Section 9 on Line 10 of Figures 15A through 15H of SWBT's Transmittal No. 2170, an overhead loading of .2201 was applied to the direct costs of each SWBT BSE.[4]   The overhead loading for the BSE identified by Attachment A of the Designation Order appears to be inconsistent but only so appears due to a matter of mathematical rounding.

SWBT used two decimal places in all of its calculations on Figure 15G of Transmittal No. 2170, consistent with the final rate.   When SWBT pulled the data from Figure 15G to the TRP, the effects of rounding were not carried forward into the TRP.   The total annual direct costs on Multiline Hunt Group are as follows:

Depreciation	$.0408
Cost of Money	$.0378
Income Tax	$.0134
Maintenance	$.0349
Administration	$.0297
Other	$.0087

These figures produce the annual direct cost of $.1653. When multiplied by SWBT's 1.2201 overhead loading factor, the total

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[4]SWBT chose to apply uniform overhead loadings in this case due to the unique nature of the filing and the similarities between the BSEs in terms of their marketplace characteristics.

annual direct plus indirect cost is $.2017, which, when divided by twelve, produces a premium rate of $.02 per month.

The Commission did not require uniform overhead loadings in this filing, suggesting that it believes that all services need not uniformly contribute to these overheads.[5] SWBT agrees, and notes that contribution to overheads across services cannot be uniform given that unique marketplace characteristics affect those services differently. Since the Commission apparently agrees with the principle that all services need not uniformly contribute to overheads, the Commission must be willing to accept greater variance in overhead loadings than signified by those BSEs for which an explanation was requested.

F.   Are Differences Between BSE Rates And Unit Costs Differences Justified?

Such differences are not only justified, they should be expected. Incremental costs reflect the costs caused by business decisions related to individual services. Each company, however, incurs other costs which are not directly related to individual services. These shared or common costs are necessary in order for the firm to operate efficiently and survive. These costs are, however, unaffected by decisions regarding the provisioning of individual services and would therefore be inappropriate to include in the price floor of the individual service.

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[5]Amendments of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, 6 FCC Rcd. 4524, at para. 44 (1991) (Part 69 ONA Order).

Nevertheless, the existence of these shared costs means that all service prices should exceed their relevant incremental costs, and that some prices must exceed incremental costs by a substantial amount. When shared costs exist, the firm will go out of business without some prices exceeding incremental costs by a substantial amount. The greater the economies of scope of the firm (and hence the greater potential efficiency of the firm), the greater the extent to which firms have shared costs.

SWBT has three BSEs identified on the <u>Designation Order's</u> Attachment B. They are Multiline Hunt Group with a ratio of 1.2632, Remote Make Busy with a ratio of 1.1693 and UCD with a ratio of 1.2000. The ratios were calculated by dividing the Annual Rates by Annual Costs. The true ratio, however, must consider the effect of NonPremium rates. Under the Commission's requirement to provide NonPremium BSE rates,[6] SWBT calculated the Premium rate by including the effects of NonPremium demand to insure that the rates recovered all of the costs associated with each BSE.

Figure 1, of Appendix B attached hereto, displays the calculation of a ratio that is equivalent to the ratio of Annual Rates to Annual Costs. SWBT is calculating this ratio based on all demand units forecasted in Year 1 to demonstrate the total costs that must be recovered. SWBT then calculates the total revenue from both the Premium and NonPremium elements. Using this data, SWBT's versions of the ratios are consistent with the remaining BSEs.

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[6]<u>See</u>, 47 C.F.R. Section 69.113(e).

II. SWBT'S RESPONSES TO THE FOLLOWING QUESTIONS SHOW THAT THE
     RATES FOR SWBT'S PACKET SWITCHING BSES, AND SWBT'S ACCESS
     SERVICE REPORTS (ASR) REQUIREMENT, ARE REASONABLE.

     A.   Are The Rates For SWBT's Packet Switching BSEs Excessive?

          1.   SWBT Is Directed To Provide The Classification And
               Amounts Of Investment Underlying Each Of The Nine
               BSEs in Transmittal No. 2146 And The Method Used
               To Determine Investment.

     The Customer Alerting and Menu Server BSEs are the only

BSEs of the nine that have per unit rates and, consequently, are

the only ones that have investment associated with them. These two

BSEs also have nonrecurring charges associated with them. The

remaining seven BSEs (Fast Select, Reverse Charge Acceptance, RPOA

Preselection, Extended RPOA, Packet Call Redirection, Packet Direct

Call, and Packet Hunt Group) are billed only through nonrecurring

charges. For these BSEs, the cost is based on one time labor

expenses.

     The total unit investment for the Customer Alerting per

unit rate element, as determined from SCIS, by state is:

Arkansas	$13,408.06
Oklahoma	$15,365.85
Texas	$19,600.47

     The total investment per screen for the Menu Server per

unit rate element for each state is $.34.

     The total investment for Menu Server was developed by

determining an investment cost factor. The investment cost

factoring assumed an initial investment of $1,000.00. The capital

cost factors, the operating expenses and the tax, TELCO land and

building factors were applied to this factoring. The actual investment for each type of the Microlink II direct access was then multiplied by this investment cost factor to determine the Annual Equipment Cost.

The Part 32 accounts associated with these total investments are:

Customer Alerting: Accounts 2212 & 2232

Menu Server: Accounts 2211 & 2212

2.   <u>SWBT Should Identify And Fully Document All Direct Costs and Overhead Applied To The Investment Identified Above, And Describe The Ratemaking Methods Used. If The Ratemaking Methodology Differs From The Method Used For Other SWBT Switched Access BSEs, SWBT Should Explain Why A Different Method Was Used.</u>

a.   <u>Direct Costs</u>

All of the direct costs associated with Customer Alerting were supplied in Section 3 of SWBT's February 10, 1992 Transmittal No. 2170 ONA Compliance Filing on pages 3-1 through 3-34. Documentation explaining the annual cost factors and annual operating expense factors was also provided as Appendix B in Section 9 of that same transmittal.

The direct costs associated with Menu Server were provided in Section 3 of Transmittal No. 2170 on pages 3-129 through 3-133. A composite annual cost factor which reflects the annual capital costs and operating expenses, was used to develop the annual costs for this element.

b.   Overhead Loadings

Overhead loadings were not applied to the Packet BSEs. This treatment is based on the Commission's orders regarding packet switching.   The LEC Price Cap Order stated that "packet-switched services were not subject to scrutiny as part of our investigation of LEC productivity, and should therefore be excluded from price cap regulation."[7]   Further, the Part 69 ONA Order, concluded that "no additional rule changes are necessary to accommodate multiplexing and packet switching" for ONA.[8]   Thus, SWBT has the ability to price packet services using an alternative ratemaking methodology.[9]

c.   Ratemaking Methods

SWBT used a ratemaking method for the packet switching BSEs that differed from other SWBT switched access BSEs. As stated previously, the Commission exempted packet switched services from Price Cap regulation and also stated that no rule changes were required for packet switched services.   Thus, SWBT concluded that it had retained the ability to determine prices for packet switched services by considering factors in addition to cost.   In this case, the relevant factor is competitive necessity.

Packet services have been dominated by a relatively small

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[7]Policy and Rules Concerning Rates for Dominant Carriers, 5 FCC Rcd. 6786 at para. 195 (1990) (LEC Price Cap Order).

[8]Part 69 ONA Order, at para. 11.

[9]See also, Section II.A.2.c., infra.

number of well established service providers.[10] This domination

continues to the present. SWBT, for example, has not made

significant gains into the packet market as SWBT only has

approximately .08% of the market share, as found by a market

analysis performed for SWBT by Link Resources, dated March 30,

1991.[11]

Further, the Bureau has recognized that competitive

necessity may be considered when setting rates, assuming a proper

showing has been made.[12] Based on SWBT's market share, SWBT must

be allowed to continue to price packet services in a manner that is

flexible, recovers the appropriate costs, and is different than the

methodology prescribed for the other switched access BSEs.

SWBT used the following method in determining the rate

for Customer Alerting. As was explained in Section 2.2.3 of SWBT's

Original Transmittal No. 2146 and also in the same section of

Transmittal No. 2170, the rate development process for the Customer

Alerting per unit rate element began with the determination of a

competitive market level price, which SWBT found to be $1.50 per

mailbox per month. For SWBT, a comparable price needs to include

the cost of utilizing the MicroLink II network, and thus, to

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[10]BellSouth Corporation's Petition for Waiver of Section 64.702 of the Commission's Rules and Regulations to Authorize Protocol Conversion Offerings, 3 FCC Rcd. 6961 (1988) at para. 9.

[11]This percentage was calculated based on actual 1991 revenue to SWBT of $228,715 compared to $292,700,000 (10% of the national forecast by Link Resources).

[12]Southwestern Bell Telephone Company Petition for Waiver of Section 64.702 of the Commission's Rules and Regulations to Provide Asynchronous Protocol Conversion on an Unseparated Basis, 5 FCC Rcd. 161 (1990) at para. 5.

determine the target rate for a Customer Alerting service, MicroLink II costs had to be subtracted from the competitive market level price. Since MicroLink II network costs are incurred on a per transaction basis, the market price of $1.50 per mailbox per month was converted to a per transaction rate for the purpose of establishing a market rate which was related to cost. For rate setting purposes, since Customer Alerting is not charged on a transaction basis, but on a per minute of use (MOU) basis, the target rate for a Customer Alerting transaction had to be converted to the average MOU per transaction. Dividing the total number of Customer Alerting transactions by the total associated MOUs results in an average rate of $.15 per MOU.

There is an additional cost to SWBT in providing this service. As was explained in Section 2.2.3 of SWBT's February 10, 1992 Transmittal No. 2170, additional software is required to provide this feature in 1AESS, 1ESS, 5ESS and DMS100 central offices.

This cost was determined by first calculating the joint cost for this software ($676,506) that is shared by Customer Alerting and two other services. To split the cost between the services, SWBT simply divided the cost by three and determined that Customer Alerting should be assigned $225,502. Further, as Customer Alerting is available not only in SWBT's federal and state access tariffs, but also in SWBT's state general exchange tariffs, this amount was apportioned to each of the jurisdictions using Category 3 Separations factors. This apportionment produced an amount to be recovered from the interstate jurisdiction of

$30,515.22. As the rate planning period used in developing the cost associated with Customer Alerting is three years, SWBT divided $30,515.22 by three, resulting in $10,171.74 which is applicable to the interstate jurisdiction during the first twelve months the service is in effect.

As was also explained in Transmittal No. 2170, the rate of $.15 per MOU serves another purpose. SWBT has installed a single SMDI port in each central office for the use of all subscribers to Customer Alerting. With only one port for the use of all customers, the rate for the service must encourage efficient use of the network facility. A rate based on MOU does precisely that - customers will be motivated not to tie up the port indefinitely, to the detriment of other Customer Alerting subscribers. While SWBT could have chosen to provide each customer a dedicated SMDI port in each central office, doing so would have produced a rate significantly greater than the $.15 rate that SWBT determined to be appropriate based upon existing market conditions.

The Menu Server rate was determined based on an analysis of prices charged by BT Tymnet for menus. Based on BT Tymnet's "Enhanced Services on US Shared Network" issued May, 1991, BT Tymnet charges $300 per month for the first menu and $50 for each additional menu. This market-based price implies that the service has considerable value to customers by making the packet network more user friendly. Further, since larger menus cost more than small menus, a "per line" charge is appropriate, and SWBT found a rate of $.02 per line to be reasonable.

A market entrant behaves in a rationally competitive

manner by establishing initial prices after examining incumbent providers' prices for similar services. Indeed, it is this pricing behavior which drives prices toward cost as providers compete for market share.

This principle does not hold true when the incumbent provider must cover public policy and utility obligations by contribution provided from its services. In such a situation, the incumbent has far less flexibility to reduce its price, thus allowing a new entrant to simply "benchmark" the incumbent price, with little risk of subsequently facing significant price competition, and fewer potential benefits to consumers. This type of situation is unlike SWBT's actions in setting its packet switching rates, where it competes with an incumbent provider without such public obligations.

3.   As To ONA Elements Priced Substantially Above Cost, and Allegedly Priced To Avoid Arbitrage Between The Jurisdictions, SWBT Should Explain Why It Believes Avoiding Arbitrage Justifies Such Pricing And Explain The Basis For Its Expectation That Significant Arbitrage Would Result Absent Such Pricing Adjustments.

The ratemaking methodology employed to develop rates for SWBT's packet services was developed at the intrastate level, as SWBT was allowed to cross reference to the intrastate tariffs when interstate packet switched services were introduced. After the Commission determined that SWBT should no longer cross reference the intrastate tariffs, SWBT proposed interstate rates that were, and continue to be, at parity with the intrastate rates. SWBT maintains that parity is appropriate to avoid tariff arbitrage as

SWBT is unable to determine the jurisdiction of a packet switched call once the call leaves SWBT's packet network.

B.   Is The SWBT Access Service Reports (ASRs) Requirement An Unreasonable Practice?[13]

The use of an ASR is not a new requirement imposed solely for the purposes of ONA. The process for ordering Access Service and for making changes to existing access services is detailed in SWBT's Tariff F.C.C. No. 68: "An Access Order is an order to provide the customer with Access Services or to provide changes to existing Services."[14] SWBT did not modify this requirement in SWBT's ONA offering.

The ASR is the single, standardized vehicle developed by the Ordering and Billing Forum (OBF) whereby an access customer establishes, changes, or disconnects services via SWBT's Interexchange Customer Service Center (ICSC). The ASR applies to all access services (switched, special and packet) and contains all of the necessary information for ordering an access service and for maintaining accurate records of the services provided to access customers.

In the past, the Commission has directed ordering and billing problems to the OBF for resolution. For ONA, SWBT understood that the OBF would be the appropriate forum for

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[13]While the Bureau's questions referred to "Access Service Reports" as ASRs, SWBT generally refers to "Access Service Requests" as ASRs. SWBT treats the Bureau's question as asking for information on Access Service Requests.

[14]SWBT's Tariff F.C.C. No. 68, Section 5.1.

consistently resolving whether the established process would be changed to accommodate the "conversion" to ONA as well as the on-going ordering of ONA services:

> [T]he OBF has previously served as a forum to resolve ordering and billing problems. . . . The OBF is the proper forum for resolution of such issues, because the OBF has years of specific expertise in this complex and technical area.[15]

SWBT saw no reason to believe the ONA processes would be handled differently.

SWBT participated fully in OBF ONA planning meetings (SWBT was the Exchange Carrier Co-leader of the ONA Task Force of the Joint ASR & O/P Committee) and fully disclosed its ASR process for conversion of feature groups to BSA/BSE formats during the transition plan. No participant to those proceedings is on record as having raised objections to the anticipated use of established access ordering procedures for the conversion process. While the OBF could have recommended an alternative procedure, such was not even discussed in its ONA Task Force. SWBT had no indication of Sprint's desire to use a different approach (even though Sprint was an active participant to the ONA Task Force meetings) until receiving Sprint's comments on SWBT's filing.

Based upon the Commission's directive for the OBF to resolve ONA ordering problems, SWBT relied heavily upon the decisions reached at the OBF as it was developing its ONA transition plan. The resulting plan is completely dependent upon the receipt of an ASR for the accurate implementation of ONA.

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[15]Filing and Review of Open Network Architecture Plans, 5 FCC Rcd. 3103 (1990), at fn. 151 (BOC ONA Amendment Order).

The ASR has been, and continues to be, the _single_ trigger for all downstream processes required to implement a customer's service request. Such processes as ordering, design, provisioning, billing, and the maintenance of correct inventory systems such as TIRKS are all dependent upon the receipt of an ASR. In addition, and of critical relevance to SWBT's ONA requirements, the ASR is the tracking document which provides SWBT with the means to comply with the Commission's requirements to annually report _ordering_ and installation intervals for ONA services ordered by SWBT affiliates. Without the ASR process, SWBT would have no recognized and verifiable means of meeting the reporting requirements.

Conversions of existing feature group services to BSA/BSE formats, even when no features or functions are changed, is not a simple matter of a records change. Many access customers have established complicated routing patterns for their existing services such as alternate routed 800/900 NXX and mutual trunking (whereby multiple Carrier Identification Codes (CIC) of different customers traverse the same trunk group). Without an ASR, SWBT's service representatives would be placed in the position of making service-affecting decisions for SWBT's customers -- even if the conversion to BSA/BSE formats requires no changes to the features and functions being provided. Without an ASR as an audit control, it is entirely possible that SWBT could remove a CIC from a customer's billing record in the process of converting a related IXC's services.

Since the use of ASRs is so fundamental to SWBT's ordering and records inventory procedures, if the customer does not

provide SWBT with an ASR, SWBT would need to generate one itself.
SWBT should not be expected to absorb the cost for generating ASRs
for all of the switched access circuits it currently provides to
its customers.

Should the Commission require SWBT to absorb such a
burden, SWBT would expect to be able to amend its transition plan
so that conversions to BSA/BSE formats are done at a higher level
(such as on a per LATA basis or per customer basis). In addition,
in order for a customer to assure itself of the accuracy of the
SWBT-initiated ASRs, SWBT would expect the customer to request
verification of the ASRs before implementing any changes.[1] In
addition, SWBT would continue to issue Firm Order Confirmations
(FOCs). FOCs are the method by which SWBT confirms its intention
to provide the access service as requested by the customer. Today,
for those customers who mechanically transmit their ASRs (the
majority of SWBT's customers that submit ASRs), SWBT returns a
mechanized FOC. Manual FOCs are only returned to those customers
operating in a paper environment.   Since any process which
circumvents the existing ASR process would necessarily be manual in
nature, SWBT feels it would be burdensome to both itself and its
customers to begin operation in a manual mode. SWBT's concern in
this area is based both on its own internal review of its resources
as well as the stated position of several of its largest customers

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[1]While Sprint suggested in its Petition on SWBT's ONA tariffs
that it should be given an inventory of circuits and be allowed to
determine its own conversion schedule for them, Sprint's suggestion
would be as burdensome to SWBT as having SWBT create the ASRs
itself.